

DEPARTMENT OF INSURANCE

October 26, 2018

Bulletin 246

Credit Life and Accident and Health Rates

This bulletin is directed to all insurers engaged in the business of selling credit insurance in the state of Indiana. Pursuant to [760 IAC 1-5.1-4](#), benefits provided by consumer credit insurance policies must be reasonable in relation to the premium charged. A loss ratio of not less than 55% is regarded as reasonable. [760 IAC 1-5.1](#) (the Rule) provided prima facie rates considered to meet the reasonableness requirement. [760 IAC 1-5.1-9](#) requires the Commissioner to review the loss ratio standards and the prima facie rates contained in the Rule on a triennial basis. This bulletin is intended to fulfill the requirements of the Rule.

The applicable provisions of [760 IAC 1-5.1](#) were effective January 1, 2003, and rates were last reviewed in 2015 (see Bulletin 222). With the conclusion of the calendar year 2017, there are three new years of experience available and the triennial review is due.

Discount Rate

Pursuant to [760 IAC 1-5.1-9](#), every three years the discount rate is to be adjusted based on the sales of the three-year Treasury Notes on the last day of the last three calendar years. The rates paid at the last day of 2015, 2016, and 2017 are listed below:

Calendar Year	3 Year Treasury Rate
2015	1.31
2016	1.47
2017	1.98
Average for 3 years	1.59

Based upon this information the discount rate would increase from the prior analysis.

Conclusion

The discount rates to be used are 1.99% for life and 1.59% for accident and health. The life discount rate includes 0.4% for mortality.

Life**Actual Experience**

Based on data received from the National Association of Insurance Commissioners (NAIC), credit life insurance has generated the following loss ratios over the last three calendar years:

Calendar Year	Loss Ratio
2015	62.2
2016	57.2
2017	65.3
Aggregate for 3 years	61.6

Adjusting the above loss ratios for the adjustment to prima facie rates would result in the following loss ratios:

Calendar Year	Loss Ratio
2015	59.2
2016	54.6
2017	65.4
Aggregate for 3 years	59.7

The loss ratio for credit life has been slightly above 55%; therefore, an increase of 8.5% to the prima facie rate is indicated.

Conclusion

Based on the above information, the Commissioner has determined that, pursuant to [760 IAC 1-5.1](#), the aggregate rate adjustment indicated for life prima facie is 8.5%. The credit life prima facie rates for monthly outstanding balance basis are therefore increased to:

(1) Seventy-one cents (\$0.71) per month per one thousand dollars (\$1,000) of outstanding insured debt on single life; and

(2) One dollar and eighteen cents (\$1.18) per month per one thousand dollars (\$1,000) of outstanding insured debt on joint life;

if premiums are payable on a monthly outstanding balance basis.

Accident and Health/Disability

Actual Experience

Based on data received from the NAIC, credit accident and health insurance has generated the following loss ratios over the last three calendar years:

Calendar Year	Loss Ratio
2015	46.9
2016	43.9
2017	39
Aggregate for 3 years	43.3

Adjusting the above loss ratios for the adjustment to prima facie rates would result in the following loss ratios:

Calendar Year	Loss Ratio
2015	50.8
2016	47.7
2017	41.9
Aggregate for 3 years	46.8

The aggregate loss ratio has been less than the statutory target of 55% indicating a decrease in the rates of 15%.

Conclusion

The rate adjustment indicated for accident and health is a decrease of 15%. Thus, the rates are shown below. The credit accident and health prima facie rates are single premium rates based on type of coverage (14 day retroactive and non-retroactive and 30 day retroactive and non-retroactive) and length of loan.

Original Number of Equal Monthly Installments	14 Day	14 Day	30 Day	30 Day
	Retroactive Policy	Non-retroactive Policies	Retroactive Policies	Non-retroactive Policies
6	1.12	0.73	0.76	0.57
12	1.50	1.05	1.03	0.77
24	2.01	1.45	1.45	1.01
36	2.48	1.90	1.88	1.36
48	2.76	2.18	2.15	1.62
60	3.00	2.41	2.39	1.83
72	3.22	2.62	2.60	2.02
84	3.41	2.81	2.79	2.23
96	3.59	3.00	2.97	2.41
108	3.78	3.17	3.15	2.58
120	3.95	3.33	3.32	2.75

Rates other than the prima facie rates announced in this bulletin may be used if they are filed with the Department and approved as reasonable in relation to the benefits provided. Information on filing rates may be

found on the Department's website at www.in.gov/idoi.

Questions regarding this bulletin should be directed to compliance@idoi.in.gov.

INDIANA DEPARTMENT OF INSURANCE

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